



The following financial report analysis offers readers a narrative overview of the financial activities of the City for the period ended August 31, 2016; this period will be referred to as Year-to-Date (YTD) throughout this document. The monthly financial statement package includes statements for the following funds: General Fund, Land Use Fund, Capital Improvement Fund, Conservation Trust Fund, Open Space Fund, General Improvement District Funds, and the Centennial Urban Redevelopment Authority Fund. Readers are encouraged to consider the information presented here in conjunction with the unaudited financial statements attached to this report. In addition, please refer to the Executive Summary in the 2016 Annual Budget for an explanation of variances between the 2015 and 2016 Adopted Budgets.

Summary of the August, 2016 Financial Statements

GENERAL FUND – COMPARISON TO PRIOR YEAR FOR THE SAME PERIOD

Revenues

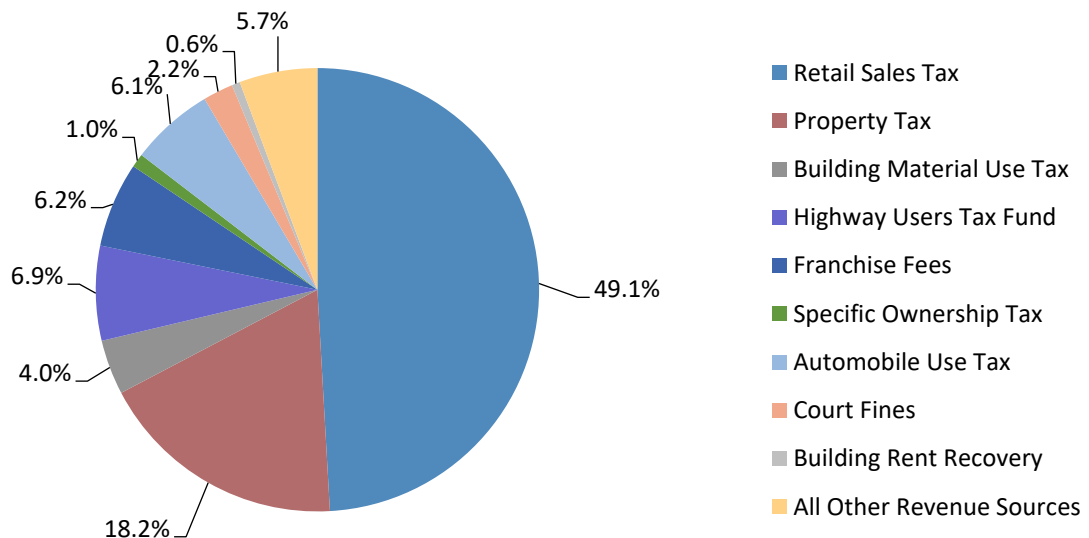
The following table is a summary comparison of primary revenue sources YTD for 2016 and 2015:

(dollar amounts in millions)

	YTD 2016	YTD 2015	\$ Variance	% Variance
Retail Sales Tax	\$ 24.9	\$ 23.6	\$ 1.3	5.3%
Property Tax	9.2	7.9	1.3	17.2%
Building Materials Use Tax	2.0	1.7	0.3	20.9%
Highway Users Tax Fund	3.5	3.5	-	0.5%
Franchise Fees	3.1	3.2	(0.1)	-2.6%
Specific Ownership Tax	0.5	0.4	0.1	20.2%
Automobile Use Tax	3.1	3.1	-	-1.7%
Court Fines	1.1	1.2	(0.1)	-9.0%
Building Rent Recovery	0.3	0.3	-	-6.3%
All Other Revenue Sources	3.0	2.7	0.3	11.7%
	<u>\$ 50.7</u>	<u>\$ 47.6</u>	<u>\$ 3.1</u>	<u>6.5%</u>

Note: Dollar amounts shown have been rounded; percentages are actual based on whole dollars.

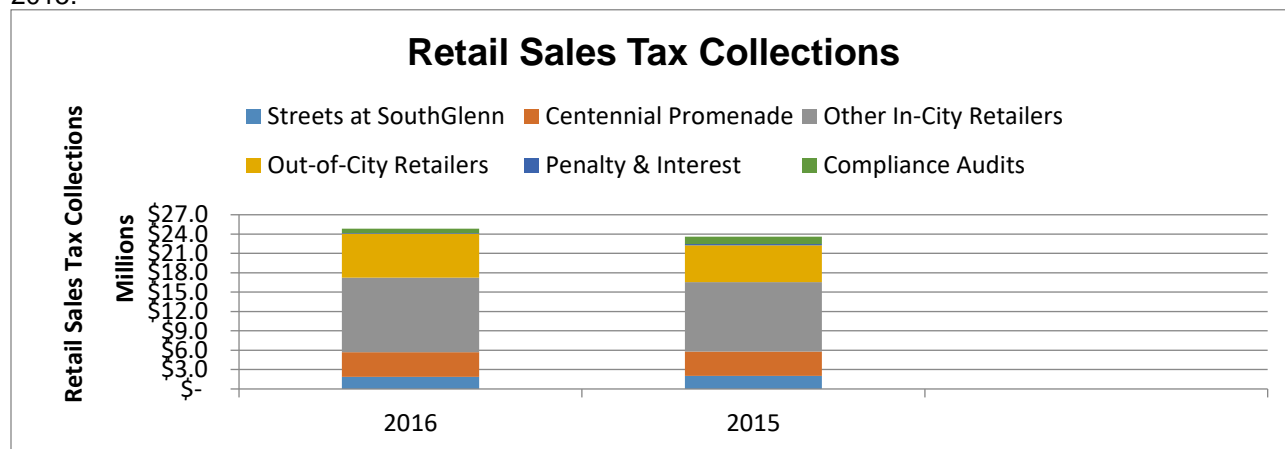
2016 YTD Revenues by Source, as a Percentage of Total Revenues



Retail Sales Tax

Retail Sales Tax revenue YTD 2016 is \$1.3 million or 5.3% more than collections YTD 2015. Sales tax revenues from in-City retailers has increased \$0.7 million over collections YTD 2015. This increase is attributable to new businesses inside of Centennial such as TopGolf and Home Goods. In addition, sales tax from out-of-City retailers has increased \$1.0 million over collections YTD 2015. The increase is offset by a decrease of \$0.4 million attributed to sales tax compliance audits and penalties and interest from late filings. The City received two large audit payments in March 2015 from a general merchandise store and a software retailer.

The illustration below depicts the change in the City's YTD 2016 Sales Tax Revenue as it compares to YTD 2015.



The table below represents sales tax collected 2016 YTD summarized by North American Industry Classification System (NAICS) codes compared to the same codes for YTD 2015.

	2016	% of 2016	2015	% of 2015
Furniture Stores	\$ 2,632,372.29	10.6%	\$ 2,595,393.42	11.0%
Full-Service Restaurants	\$ 1,850,465.99	7.4%	\$ 1,880,268.06	8.0%
Limited-Service Eating Places	\$ 1,344,361.13	5.4%	\$ 1,276,378.68	5.4%
Sporting Goods, Hobby, and Musical Instrument Stores	\$ 1,228,133.12	4.9%	\$ 1,241,081.88	5.3%
Automobile Dealers	\$ 1,114,618.95	4.5%	\$ 1,142,696.07	4.8%
Electric Power Generation, Transmission and Distribution	\$ 845,071.06	3.4%	\$ 884,789.96	3.7%
Grocery Stores	\$ 808,993.37	3.3%	\$ 826,401.88	3.5%
Electronics and Appliance Stores	\$ 741,067.03	3.0%	\$ 756,146.83	3.2%
Electronic Shopping and Mail-Order Houses	\$ 739,474.48	3.0%	\$ 286,351.53	1.2%
Other General Merchandise Stores	\$ 681,747.33	2.7%	\$ 598,325.54	2.5%
Wireless Telecommunications Carriers (except Satellite)	\$ 662,989.53	2.7%	\$ 752,556.77	3.2%
Home Furnishings Stores	\$ 640,858.41	2.6%	\$ 380,340.84	1.6%
Other Amusement and Recreation Industries	\$ 527,815.99	2.1%	\$ 107,668.26	0.5%
Clothing Stores	\$ 516,542.52	2.1%	\$ 517,039.65	2.2%
Beer, Wine, and Liquor Stores	\$ 444,066.76	1.8%	\$ 419,172.80	1.8%
Automotive Repair and Maintenance	\$ 434,330.71	1.7%	\$ 438,967.88	1.9%
Commercial and Industrial Machinery & Equipment Rental & Leasing	\$ 430,246.75	1.7%	\$ 414,873.92	1.8%
Traveler Accommodation	\$ 420,354.19	1.7%	\$ 383,897.19	1.6%
Wired Telecommunications Carriers	\$ 413,482.06	1.7%	\$ 326,352.99	1.4%
Direct Selling Establishments	\$ 401,518.63	1.6%	\$ 306,174.40	1.3%
Total Retail Sales Tax Collected YTD from Top 20 NAICS	\$ 16,878,510		\$ 15,534,879	

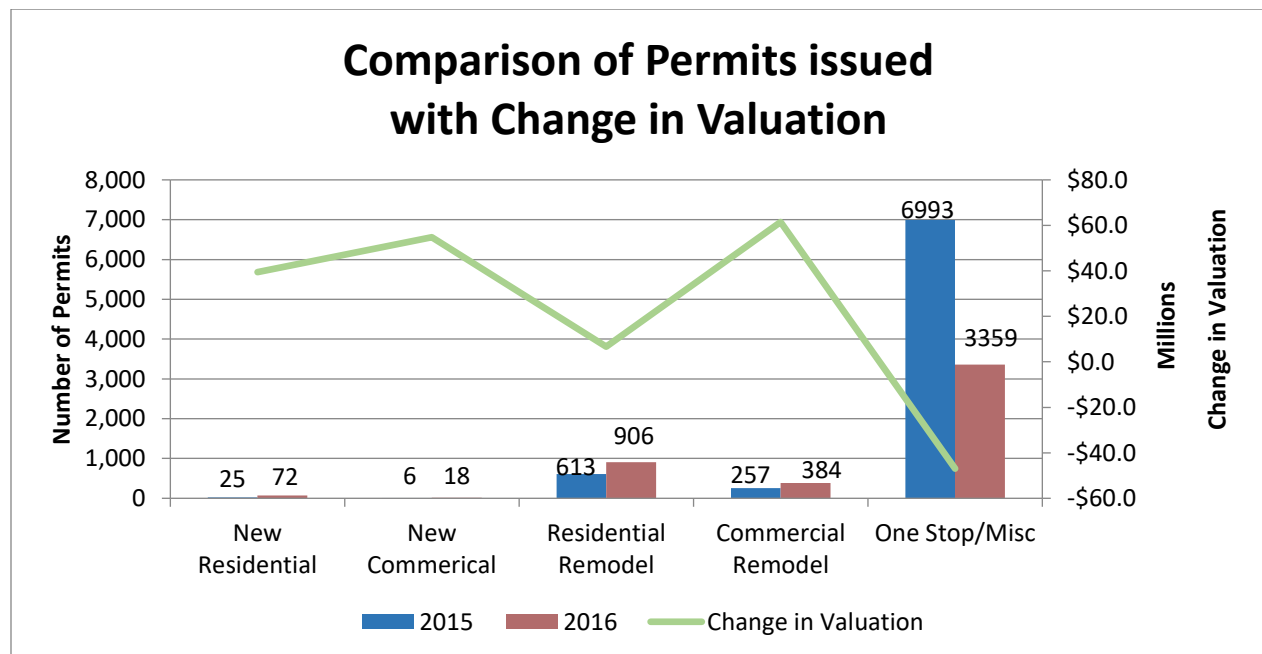
**This table only represents the top 20 NAICS codes, or 67.9% of 2016 Sales Tax collections, and does not include audit revenue.*

Property Tax

Revenue received YTD 2016 is \$1.3 million or 17.2% more than collections YTD 2015. The increase of property tax is due to a 17.4% increase of assessed valuations of property. The timing of property tax collections during the first six months of the year can vary from year to year. Property tax payments have three due dates throughout the year. The due date for payment in full is April 30th and due dates for the two payment option are February 28th and June 15th.

Building Materials Use Tax

Building Materials Use Tax revenue YTD 2016 is \$0.3 million or 20.9% more than collections YTD 2015. As depicted in the graph below, 2016 Residential and Commercial permits (New and Remodel) have increased by 479, and One Stop/Miscellaneous permits have decreased by 3,634 when compared to YTD 2015. The total valuation for permits YTD has increased by \$115.3 million as compared to YTD 2015 primarily due to New Residential permits for multi-family units at Inova Dry Creek and Commercial remodels. The One Stop/Miscellaneous permits decreased compared to YTD 2015 due to re-roofing permits in 2015 from a large hail storm at the end of September 2014.



Franchise Fees

Franchise Fees revenue YTD 2016 is \$0.1 million or 2.6% less than collections YTD 2015. This decrease in revenue is from the Franchise Fees from the natural gas provider. Natural gas prices have been low nationwide which has caused a rate reduction for consumers for the first two quarters in 2016.

Court Fines

Court Fines YTD 2016 is \$0.1 million or 9.0% less than collections YTD 2015. The decrease in revenue is the result of 1,868 less court cases in the first two quarters of 2016 compared to 2015.

Expenditures

Total expenditures and transfers YTD for 2016 are \$0.6 million or 1.3% less than expenditures YTD 2015. The net decrease is primarily due to expenditures in the following departments: Nondepartmental.

- Nondepartmental expenditures YTD for 2016 are \$0.7 million or 21.9% less than expenditures YTD 2015. This decrease is primarily due to lower than anticipated costs for incentive agreements through August. This reduced cost is expected to diminish by the end of the year.

- Other departments, including Finance, Facilities and Fleet, and Municipal Courts contributed to decreases from 2015. Offsetting these decreases were increases in Law Enforcement and Public Works.

GENERAL FUND – COMPARISON TO BUDGET

The City's annual budget is examined on a monthly basis. The actual receipts and expenditures are compared to the budget on a line item or departmental basis. Monthly budget allocations represent a portion of the annual budget that is assigned to each month for comparative purposes. The allocation amount may be either 1/12th of the total amount budgeted for the year, or a specific percentage for that month based on actual receipts or expenditures in prior years. The analysis below compares actual amounts to the 2016 budget amounts.

Revenues

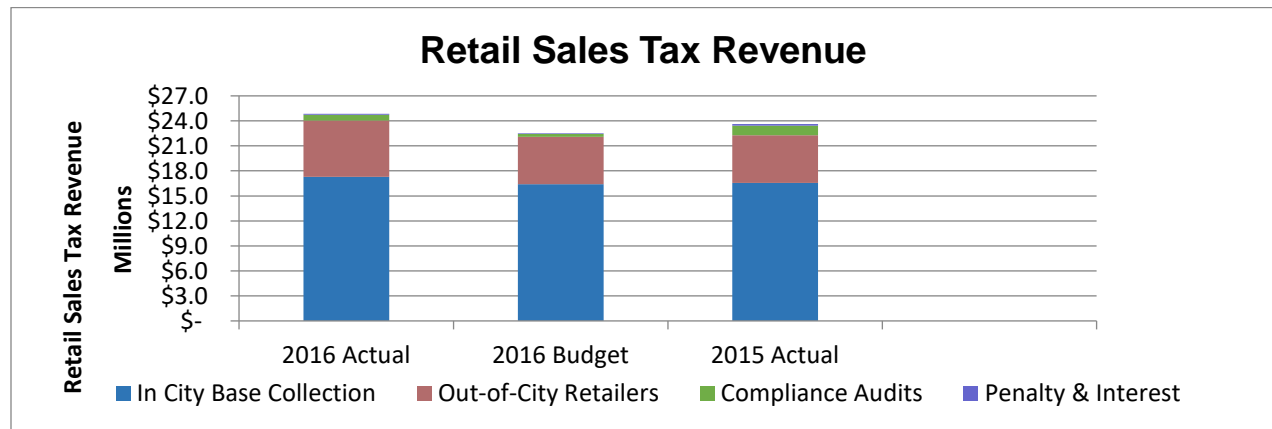
The following table is a summary comparison of primary revenue sources; the table compares actual revenue compared to budget.

	<i>(dollar amounts in millions)</i>			
	Actual 2016	Budget YTD 2016	\$ Variance	% Variance
Retail Sales Tax	\$ 24.9	\$ 22.5	\$ 2.4	10.4%
Property Tax	9.2	9.2	-	0.5%
Building Materials Use Tax	2.0	1.1	0.9	85.1%
Highway Users Tax Fund	3.5	3.2	0.3	7.9%
Franchise Fees	3.1	3.3	(0.2)	-4.1%
Specific Ownership Tax	0.5	0.4	0.1	20.7%
Automobile Use Tax	3.1	2.9	0.2	6.0%
Court Fines	1.1	1.2	(0.1)	-9.8%
Building Rent Recovery	0.3	0.3	-	-5.5%
All Other Revenue Sources	3.0	2.9	0.1	1.9%
	<u>\$ 50.7</u>	<u>\$ 47.0</u>	<u>\$ 3.7</u>	<u>7.7%</u>

Note: Dollar amounts shown have been rounded; percentages are actual based on whole dollars.

Retail Sales Tax

Retail Sales Tax revenue YTD 2016 is \$2.4 million or 10.4% favorable compared to budget. This favorable variance is primarily the result of higher than anticipated sales tax revenues from out-of-City retailers (\$1.1 million) and in-City retailers (\$0.9 million). These increases are primarily from newly licensed businesses.



Building Materials Use Tax

Building Materials use tax revenue YTD 2016 is \$0.9 million or more than 85.1% favorable compared to budget. The variance is primarily due to the new commercial and residential permits at Inova Dry Creek, however, the City has several other new projects that have begun this year such as Centennial Liquors and WaterWalk Hotel.

Highway Users Tax Fund

Highway Users Tax Fund revenue YTD 2016 is \$0.3 million or 7.9% favorable to budget. The Highway Users Tax Fund amount available for distribution to all municipalities was projected to slightly decrease, however, the City's distribution has remained consistent with the prior period's distribution.

Franchise Fees

Franchise Fees revenue YTD 2016 is \$0.2 million or 4.3% unfavorable to budget. The unfavorable variance is due to lower than anticipated fees from the natural gas provider. The City did not anticipate a rate reduction by the provider caused by low natural gas prices during the budget process.

Court Fines

Court Fines revenue YTD 2016 is \$0.1 million or 9.8% unfavorable to budget. The unfavorable variance is due to lower than court cases in the Municipal Court. The City had 18% less court cases in the first two quarters 2016 compared to the three year historical quarterly average. The City did not anticipate this large of reduction in court cases during the budget process.

Expenditures

Total expenditures and transfers YTD for 2016 are \$5.1 million or 10.3% favorable compared to the Revised Budget. This favorable variance is primarily attributable to the Elected Officials, City Attorney's Office, City Manager's Office, Office of Innovation, Information Technology, Communications, Finance, Economic Development, Nondepartmental, Central Services, Public Works, Fleet and Facilities, Municipal Court, and Community Development Administration departments. Net transfers to other funds also contributed to the favorable variance to budget.

- Elected Officials expenditures YTD for 2016 are \$0.1 million or 23.7% favorable compared to the Revised Budget. This favorable variance is primarily due to lower than anticipated costs attributable to Benefits and Dues and Memberships. This favorable variance is expected to decrease through the remainder of the year as memberships are renewed.
- City Attorney's Office expenditures YTD for 2016 are \$0.1 million or 12.7% favorable compared to the Revised Budget. This favorable variance is primarily due to lower than anticipated costs attributable to general and outside counsel legal services.
- City Manager's Office expenditures YTD for 2016 are \$0.1 million or 8.2% favorable compared to the Revised Budget. This favorable variance is primarily due to lower than anticipated costs attributable to Salaries and Benefits.
- Office of Innovation expenditures YTD for 2016 are \$0.7 million or 66.3% favorable compared to the Revised Budget. This favorable variance is primarily due to lower than anticipated costs attributable to Contracted Services related to the installation of conduit and pull boxes and expenditures under the Bloomberg Philanthropies Innovation Team Grant.
- Information Technology expenditures YTD for 2016 are \$0.1 million or 18.1% favorable compared to the Revised Budget. This favorable variance is primarily due to lower than anticipated project costs related to ARG GIS and LIDAR and information technology services.
- Communication expenditures YTD for 2016 are \$0.1 million or 9.3% favorable compared to the Revised Budget. This favorable variance is primarily due to lower than anticipated costs attributable to Salaries and Benefits.

- Finance expenditures YTD for 2016 are \$0.3 million or 17.2% favorable compared to the Revised Budget. This favorable variance is due to personnel vacancy savings and lower than anticipated sales tax audit service costs.
- Economic Development expenditures YTD for 2016 are \$0.1 million or 67.0% favorable compared to the Revised Budget. This favorable variance is due primarily to lower than anticipated costs for consulting services related to development of an Economic Strategic Plan.
- Nondepartmental expenditures YTD for 2016 are \$1.1 million or 32.1% favorable compared to the Revised Budget. This favorable variance is primarily due to lower than anticipated costs for litigation and Incentive Agreements. This favorable variance is expected to decrease through the remainder of the year as incentive agreements are recorded.
- Central Services expenditures YTD for 2016 are \$0.1 million or 24.8% favorable compared to the Revised Budget. This favorable variance is primarily due to lower than anticipated costs for printing and publishing and meeting/training/travel. This favorable variance is expected to decrease through the remainder of the year.
- Public Works expenditures YTD for 2016 are \$0.8 million or 8.4% favorable compared to the Revised Budget. This favorable variance is primarily due to lower than anticipated costs year to date for the Public Works service provider, asphalt materials, and traffic signal maintenance.
- Fleet and Facilities expenditures YTD for 2016 are \$0.2 million or 33.1% favorable compared to the Revised Budget. This favorable variance is primarily due to lower than anticipated costs year to date for capital outlay for vehicles and lower than anticipated costs for professional services and utilities for the City's office space.
- Municipal Court expenditures YTD for 2016 are \$0.2 million or 9.9% favorable compared to the Revised Budget. This favorable variance is primarily due to lower than anticipated costs attributable to salaries and benefits and traffic officer services.
- Community Development Administration expenditures YTD for 2016 are \$0.3 million or 55.9% favorable compared to the Revised Budget. This favorable variance is primarily due to lower than anticipated costs attributable to personnel vacancy savings and lower than anticipated professional services.
- Net transfers from the Land Use Fund YTD for 2016 are \$0.7 million or more than 100.0% favorable compared to the Revised Budget. Revenues generated in the Land Use Fund are favorable to budget due to higher than anticipated Building Permit Fees that reduce the need for General Fund support through transfers, resulting in a favorable variance to budget.

LAND USE FUND

Comparison to Prior Year

Revenue

- Revenue YTD 2016 is \$0.6 million or 18.7% less than collections YTD 2015. The decrease revenue compared to YTD 2015 is from the Building Permit Fees. The City had a large amount of One Stop/Miscellaneous permits issued in 2015 due to a hail storm in late 2014. The permit fees associated with these One Stop/Miscellaneous permits accounts for the increase collection in the prior year.

Expenses

- Expenses YTD for 2016 are \$0.5 million less than expenses YTD 2015. This variance is primarily due to reduced permitting and inspections through July 2016. Reduced permitting

and inspections for 2016 are the result of higher permits issued in 2015 due to of hail storm damage.

Comparison to Budget

Revenue

- Revenues YTD 2016 are \$0.5 million or 23.4% favorable compared to the 2016 Adopted Budget. The favorable variance higher than anticipated Building Plan Review fees and land development applications.

Expenses

- Expenses during 2016 are \$0.2 million or 7.8% favorable compared to the 2016 Adopted Budget. The favorable variance is due to lower than anticipated costs associated with professional engineering costs and for permitting and inspections.

CAPITAL IMPROVEMENT FUND

Comparison to Prior Year

Revenue

- Revenue YTD for 2016 are \$5.0 million or 93.2% less than revenues YTD 2015. This decrease in revenues is attributable to funds received in 2015 from intergovernmental agreements for the Arapahoe Road – Waco to Himalaya widening project.

Expenditures

- Expenditures YTD for 2016 are \$6.0 million or 69.5% more than expenditures YTD 2015. This increase in expenditures is primarily attributable to building and improvement costs scheduled for 2016 and for streets and intersections including the Arapahoe Road - Waco to Himalaya widening project.

Comparison to Budget

Revenue

- Revenues YTD 2016 are \$0.6 million or 62.4% unfavorable compared to the 2016 Adopted Budget. The unfavorable variance is from the timing of funds received for the Waco to Himalaya project.

Expenditures

- Expenditures YTD for 2016 are \$4.0 million or 21.5% favorable compared to the 2016 Adopted Budget. This favorable variance is primarily due to the construction related to expenditures on the fiber optic backbone and streets and intersections. This favorable variance is anticipated to diminish through the remainder of the year.

CONSERVATION TRUST FUND

Comparison to Prior Year

Revenue

- Revenues YTD 2016 are \$0.1 million or 24.9% higher than YTD 2015. The increase is from higher lottery proceeds received.

Expenditures

- Expenditures YTD for 2016 are consistent with expenditures YTD 2015.

Comparison to Budget

Revenue

- Revenues YTD 2016 are \$0.1 million or 28.5% favorable compared to the 2016 Adopted Budget. This favorable variance is due to higher than anticipated distributions from lottery proceeds.

Expenditures

- Expenditures YTD for 2016 are \$2.5 million or 95.1% favorable compared to the 2016 Adopted Budget. This favorable variance is primarily related to less than anticipated expenditures for Trails and Park and Recreation Capital Outlay. This variance is expected to diminish through the remainder of the year.

OPEN SPACE FUND

Comparison to Prior Year

Revenue

- Revenues YTD 2016 are \$0.2 million or 6.9% more than revenues YTD 2015. The increase is due County Open Space sales tax share back received in 2016 compared to 2015.

Expenditures

- Expenditures YTD for 2016 are consistent with expenditures YTD 2015.

Comparison to Budget

Revenue

- Revenues YTD 2016 are \$0.2 million or 6.9% favorable compared to the 2016 Adopted Budget. The favorable variance is due to higher than anticipated County Open Space sales tax.

Expenditures

- Expenditures YTD for 2016 are \$2.4 million or 77.2% favorable compared to the 2016 Adopted Budget. The favorable variance is due to lower than anticipated expenditures costs for Open Space Trails and Park and Recreation.

GENERAL IMPROVEMENT DISTRICT FUNDS

Comparison to Prior Year

Revenue

- Revenues YTD 2016 are in line with the prior year.

Expenditures

- Expenditures YTD for 2016 are 0.1 million or 79.35% more than expenditures YTD 2015. This increase is primarily due to costs associated with bond refunding of the Antelope GID debt and contracted services.

Comparison to Budget

Revenue

- Revenues YTD 2016 are \$0.1 million or 50.0% favorable compared to the 2016 Adopted Budget. The variance is due higher property tax collections from properties in the districts. The timing of property tax collections during the first few months of the year may vary from year to year, and the City expects this variance to diminish as the year progresses.

Expenditures

- Expenditures YTD for 2016 are in line with the 2016 Adopted Budget.

CENTENNIAL URBAN REDEVELOPMENT AUTHORITY FUND
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Comparison to Prior Year

Revenue

- Revenues received YTD 2016 are \$0.6 million or 11.0% more than collections during 2015. This increase in revenues is the result of higher property tax collections from properties in the redevelopment area. The timing of property tax collections during the first few months of the year may vary from year to year, however, the majority of property tax due is received by June each year.

Expenditures

- Expenditures YTD for 2016 are \$0.6 million or 11.0% more than expenditures during 2015. Expenditures during 2016 are higher than 2015 as a result of higher property tax pass-thru payments from the Authority to Southglenn Metropolitan District.

Comparison to Budget

Revenue

- Revenues YTD 2016 are \$0.7 million or 11.4% unfavorable compared to the 2016 Adopted Budget. The variance is due lower property tax collections from properties in the redevelopment area. The City expects this variance to diminish as the year progresses.

Expenditures

- Expenditures YTD are \$0.7 million or 11.4% favorable compared to the 2016 Adopted Budget. This favorable variance is a direct result of lower property tax pass-thru payments from the Authority to Southglenn Metropolitan District.